GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

A Pension Trust Fund of the State of Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2001

GENERAL ASSEMBLY
RETIREMENT SYSTEM,
STATE OF ILLINOIS

2101 South Veterans Parkway
P. O. Box 19255
Springfield, Illinois 62794-9255

Prepared by the Accounting Division

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Introductory Section

Administration:
(l to r) seated: Cheryl Bullerman, Dawn Blakeman.
standing: Executive Secretary, Michael Mory,
Associate Executive Secretary, Robert Knox.

Staff:
(l to r) seated: Robin Edgar, Jayne Waldeck.
standing: Dave Richter, Rudy Kink, Carole McKean,
Bill Hanney.

STATE RETIREMENT SYSTEMS
• State Employees' Retirement System of Illinois
• General Assembly Retirement System
• Judges' Retirement System of Illinois

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255 217-785-7444

December 7, 2001

The Board of Trustees and Members
General Assembly Retirement System,
State of Illinois
Springfield, IL 62794

Dear Board of Trustees and Members:

The comprehensive annual financial report of the General Assembly Retirement System, State of Illinois (System) as of and for the fiscal year ended June 30, 2001 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

The report consists of six sections:

1. The Introductory Section which contains this letter of transmittal, the identification of the administrative organization and the Certificate of Achievement for Excellence in Financial Reporting;

2. The Financial Section which contains the report of the Independent Auditors, the financial statements of the System and certain required and other supplementary financial information;

3. The Investment Section which contains a report on investment activity, investment policies, investment results and various investment schedules;

4. The Actuarial Section which contains the Actuary's Certification Letter and the results of the annual actuarial valuation;

5. The Statistical Section which contains significant statistical data; and

6. The Plan Summary and Legislative Section which contains the System's plan provisions and current legislative changes.

Generally accepted accounting principles require that the financial reporting entity include:

1. the primary government;
2. organizations for which the primary government is financially accountable; and
3. other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Although the General Assembly Retirement System, Judges' Retirement System and State Employees' Retirement System share a common administration, they are separate entities for legal and financial reporting purposes. Therefore, the financial statements of the General Assembly Retirement System do not include plan net asset information nor the changes in plan net assets of the State Employees' Retirement System or Judges' Retirement System.

PLAN HISTORY & SERVICES PROVIDED

The General Assembly Retirement System (System) was established as a public employee retirement system (PERS) by state statute on July 1, 1947. As of June 30, 1948, the end of the System's first fiscal year of operations, there were a total of 190 participants and the plan net assets valued at cost amounted to approximately $39 thousand. The fair value of plan net assets at the end of fiscal year 2001 amounted to $62 million and there were 292 active and inactive participants.

The mission of the System as prescribed by state statute is to "provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected state officials, and their beneficiaries."

Responsibility for operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable state statute.

Table 1

	2001 Millions	2000 Millions	Increase/(Decrease) Millions	Increase/(Decrease) Percentage
Contributions:				
Participants	$ 1.408	$ 1.317	$ .091	6.9%
Employer	4.312	3.951	.361	9.1%
Investments	(4.651)	7.562	(12.213)	(161.5)%
Total revenue	$ 1.069	$ 12.830	$ (11.761)	(91.7)%

The decrease in investment revenue was attributable to significant net depreciation in the fair value of the System's investments.

Table 2

	2001 Millions	2000 Millions	Increase/(Decrease) Millions	Increase/(Decrease) Percentage
Benefits:				
Retirement annuities	$ 7.505	$ 7.187	$ .318	4.4%
Survivors' annuities	1.723	1.654	.069	4.2%
Total benefits expenses	9.228	8.841	.387	4.4%
Refunds	.038	.097	(.059)	(60.8)%
Administrative expenses	.276	.253	.023	9.1%
Total expenses	$ 9.542	$ 9.191	$ .351	3.8%

The increase in benefit payments resulted primarily from (1) a growth in the number of benefits paid, (2) an increase in the average benefit payment amount, and (3) post-retirement annuity increases granted each year.

ADDITIONS TO PLAN NET ASSETS

Collections of employer and participant retirement contributions, as well as income from investments, provide the reserves necessary to finance retirement benefits. These revenue sources totaled $1.069 million during the fiscal year ending June 30, 2001, which is a significant decrease from the amount of revenue reported for fiscal year 2000, as shown in Table 1.

DEDUCTIONS FROM PLAN NET ASSETS

The primary expense of a retirement system relates to the purpose for which it is created; namely the payment of benefits. These payments, together with the expense to administer the plan, constitute the total expenses of the System. Expenses for 2001 and 2000 are shown in Table 2 for comparison purposes.

INVESTMENTS

The System's investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes, using the "prudent person rule". This rule states that fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. The ISBI maintains a wide diversification of investments within this fund which serves to reduce overall risk and increase returns.

Income from investments has, over the years, generally been a significant share of the total revenue to the System. Fiscal year 2001 returns, however, were already set to be a challenge, even prior to the events of September 11, 2001. Net investment income, combined with the net depreciation in the fair value of investments, amounted to a loss of $4.7 million during fiscal year 2001, a decrease of $12.2 million from fiscal year 2000.

For fiscal year 2001, the total investment return on the market value of assets managed by the ISBI was a negative 7.1%. The ISBI's total investment return over the last three and five years was 5.5% and 10.5%, respectively.

A detailed discussion of investment performance and strategies is provided in the Investment Section of this report. Information regarding investment professionals providing services to the ISBI can be found in the separately issued ISBI annual financial report. To receive a copy of the ISBI annual financial report, please refer to the ISBI's address which is provided in the Investment Section of this report.

FUNDING

Funding is the process of specifically allocating monies for current and future use. Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments. The greater the level of funding, the larger the ratio of accumulated assets to the actuarial accrued liability and the greater the level of investment potential.

Senate Bill 533, which was signed into law on August 22, 1994 as Public Act 88-0593, enacted a funding plan for the System.

The financing objective of the funding plan requires that state contributions be paid to the System so that by the end of fiscal year 2045, the ratio of accumulated assets to the actuarial accrued liability will be 90%. For fiscal years 2011 through 2045, the required state contributions are to be computed as a level percentage of participant payroll. For those fiscal years up through 2010, the required state contributions are to be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state is contributing at the required level contribution rate to achieve the financing objective by the end of fiscal year 2045.

In addition, the funding legislation also provided for the establishment of a continuing appropriation of the required state contributions to the System. This has, in effect, removed the appropriation of these funds from the annual budgetary process.

The actuarial determined liability of the System using the projected unit credit actuarial cost method at June 30, 2001, amounted to $177.5 million. The actuarial value of assets (at fair value) amounted to $62.0 million as of the same date.

A detailed discussion of funding is provided in the Actuarial Section of this report.

MAJOR EVENTS/INITIATIVES

During fiscal year 2001, the System reviewed and evaluated numerous automated general ledger accounting systems and ultimately purchased a new system that will allow for the efficient and timely preparation of financial reports and statements. In addition, the System continued to expand the services available through the State Retirement System's internet site to more fully enable the System's members to contact the System and learn about the benefits, financial and other pertinent information.

Projects for fiscal year 2002 include the installation of the newly purchased general ledger accounting system, the continued evaluation and expansion of services available through the System's internet site, and the implementation of changes required by the various pension provisions contained in the

Economic Growth and Tax Relief Act of 2001 (H.R. 1836) that was passed by Congress and signed into law by President Bush on June 6, 2001.

Additionally, the System will continue to offer pre-retirement, post-retirement and one-on-one counseling sessions at various locations throughout the state.

ACCOUNTING SYSTEM & INTERNAL CONTROL

This report has been prepared to conform with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The accrual basis of accounting is used to record the financial transactions and activities of the System. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recognized when the corresponding liabilities are incurred, regardless of when payment is made.

The System also uses the State of Illinois, Statewide Accounting Management System (SAMS) as a basis for the preparation of the financial statements.

In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Constant effort is directed by the System at improving this level to assure the participants of a financially sound retirement system.

PROFESSIONAL SERVICES

Independent consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the System. Actuarial services are provided by Goldstein & Associates, Chicago, Illinois.

The annual financial audit of the System was conducted by the accounting firm of Thomas Havey LLP under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a one year compliance audit was also performed by the auditors. The purpose of the compliance audit was to determine whether the General Assembly Retirement System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law.

The System's investment function is managed by the Illinois State Board of Investment.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the General Assembly Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 2000. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. Such financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The General Assembly Retirement System has received a Certificate of Achievement for the last twelve consecutive years (fiscal years ended June 30, 1989 through June 30, 2000). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ADDITIONAL COMMENTS

After almost 37 years of service with the State Retirement Systems, General Assembly Retirement System Assistant Manager Beverly Wells retired effective December 31, 2000.

Beverly became a full time employee of the General Assembly Retirement System in 1972 and was named to the position of Assistant Manager effective November 1, 1989. Over the course of her career, Beverly worked for all four State Retirement System Executive Secretaries and constantly strived to provide prompt and courteous service to the System's membership.

The System's Board of Trustees and staff would like to express their appreciation to Beverly for her leadership and devotion during her many years of service and wish her the very best in a well-deserved retirement.

ACKNOWLEDGMENTS

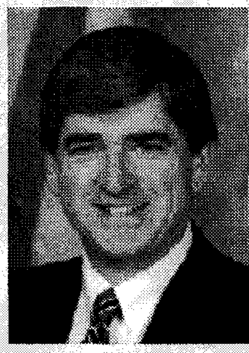
The preparation of this report reflects the combined efforts of the System's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the participants in the State of Illinois.

On behalf of the Board of Trustees we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,

Michael L. Mory
Executive Secretary

David M. Richter, CPA
Accounting Division



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Certificate of Achievement for Excellence in Financial Reporting

Presented to

General Assembly Retirement System, State of Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2000

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

President

Executive Director

Financial Section

THOMAS
HAVEY
LLP

INDEPENDENT AUDITORS' REPORT

To the Honorable William G. Holland
Auditor General, State of Illinois
Springfield, Illinois

Board of Trustees
General Assembly Retirement System, State of Illinois
Springfield, Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying statements of plan net assets as of June 30, 2001 and 2000 of the General Assembly Retirement System, State of Illinois and the statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Assembly Retirement System, State of Illinois as of June 30, 2001 and 2000, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue, under separate cover, our report dated October 25, 2001 on our consideration of the General Assembly Retirement System, State of Illinois' internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The required supplementary information on page 24, and supplementary information on pages 25 and 26, are presented for the purpose of additional analysis and are not a required part of the financial statements of the System. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. The information for the years ended June 30, 1997 and 1998 has been derived from financial statements audited by other auditors whose reports thereon expressed an unqualified opinion.

The introductory, investment, actuarial, statistical, and plan summary and legislative sections listed in the table of contents were not audited by us and, accordingly, we do not express an opinion thereon.

Thomas Havey LLP

October 25, 2001

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
9301 CALUMET AVENUE • MUNSTER, IN 46321 • 219.836.1065 • 219.836.2012 FAX • www.havey.com

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Plan Net Assets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash	$ 1,632,080	$ 1,638,076
Receivables:		
Participants' contributions	13,356	1,723
Interest on cash balances	6,190	7,998
Total Receivables	19,546	9,721
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	60,463,005	68,916,666
Equipment, net of accumulated depreciation	2,833	4,315
Total Assets	62,117,464	70,568,778
Liabilities		
Benefits payable	12,291	-
Refunds payable	3,518	-
Administrative expenses payable	28,174	34,415
Due to Judges' Retirement System of Illinois	62,280	51,422
Participants deferred service credit accounts	13,354	11,497
Total Liabilities	119,617	97,334
Net assets held in trust for pension benefits	$ 61,997,847	$ 70,471,444

(A schedule of funding progress is presented on page 24.)

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statements of Changes in Plan Net Assets
Years Ended June 30, 2001 and 2000

	2001	2000
Additions:		
Contributions:		
Participants	$ 1,407,638	$ 1,317,542
Employer	4,311,909	3,951,000
Total contributions	5,719,547	5,268,542
Investments:		
Net investment income	1,642,488	1,603,495
Interest earned on cash balances	102,744	98,951
Net appreciation/(depreciation) in fair value of investments	(6,396,149)	5,859,238
Total net investment income/(loss)	(4,650,917)	7,561,684
Total Additions	1,068,630	12,830,226
Deductions:		
Benefits:		
Retirement annuities	7,505,092	7,186,818
Survivors' annuities	1,722,868	1,653,864
Total benefits	9,227,960	8,840,682
Refunds of contributions	37,824	97,593
Administrative expenses	276,443	253,015
Total Deductions	9,542,227	9,191,290
Net Increase/(Decrease)	(8,473,597)	3,638,936
Net assets held in trust for pension benefits:		
Beginning of year	70,471,444	66,832,508
End of year	$ 61,997,847	$ 70,471,444

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Notes to Financial Statements June 30, 2001 and 2000

1. Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The General Assembly Retirement System (System) is administered by a Board of Trustees consisting of seven persons, which include the President of the Senate, ex officio, or his designee, two members of the Senate appointed by the President of the Senate, three members of the House of Representatives appointed by the Speaker of the House of Representatives and one person elected from the member annuitants.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Pursuant to federal tax law and regulations governing the administration of public employee pension plans, the System has established a separate fund for the sole purpose of paying benefits in accordance with Section 415 of the Internal Revenue Code. The receipts and disbursements from the fund for fiscal years 2001 and 2000 were each less than $60,000. Due to the immaterial nature of the separate fund, these receipts and disbursements have been included in the System's financial statements.

2. Plan Description

The System is the administrator of a single-employer defined benefit public employee retirement system (PERS) established and administered by the State of Illinois to provide pension benefits for its participants.

a. Eligibility and Membership

The General Assembly Retirement System covers members of the General Assembly of the State and persons elected to the offices of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller and Attorney General for the period of service in such offices and the Clerks and Assistant Clerks of the respective Houses of the General Assembly. Participation by eligible persons is optional.

At June 30, 2001 and 2000, the System membership consisted of:

	2001	2000
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	226	221
Survivors' annuities	122	125
Reversionary annuities	3	3
	351	349
Inactive participants entitled to benefits but not yet receiving them	111	110
Total	462	459
Current participants:		
Vested	145	132
Nonvested	36	49
Total	181	181

Operation of the System and the direction of its policies are the responsibility of the Board of Trustees of the System.

b. Contributions

In accordance with Chapter 40 Section 5/2-126 of the Illinois Compiled Statutes, participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases. Contributions are excluded from gross income for Federal and State income tax purposes.

The total contribution rate is 11.5% as shown below:

8.5%	Retirement annuity
2.0%	Survivors' annuity
1.0%	Automatic annual increases
11.5%	

The statutes governing the General Assembly Retirement System provide for optional contributions by participants, with interest at prescribed rates, to retroactively establish service credits for periods of prior creditable service.

The Board of Trustees has adopted the policy that interest payments by a participant, included in optional contributions to retroactively establish service credits, shall be considered an integral part of the participant's investment in annuity expectancies and, as such, shall be included as a part of any refund payable.

The payment of (1) the required State contributions, (2) all benefits granted under the System and (3) all expenses in connection with the administration and operation thereof are the obligations of the State to the extent specified in Chapter 40, Article 5/2 of the Illinois Compiled Statutes.

c. Benefits

After eight years of credited service, participants have vested rights to retirement benefits beginning at age 55, or after four years of service with retirement benefits beginning at age 62.

The General Assembly Retirement System also provides annual automatic annuity increases for retirees and survivors, survivors' annuity benefits, reversionary annuity benefits, and under specified conditions, lump-sum death benefits. Participants who terminate service may receive, upon application, a refund of their total contributions.

The retirement annuity is determined according to the following formula based upon the participants' final rate of salary. The maximum retirement annuity payable is 85% of the final rate of salary.

3.0% for each of the first 4 years of service, plus
3.5% for each of the next 2 years of service, plus
4.0% for each of the next 2 years of service, plus
4.5% for each of the next 4 years of service, plus
5.0% for each year of service in excess of 12 years

3. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

The financial transactions of the System are maintained and these financial statements have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles.

Participant and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plan.

The System has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB Pronouncements.

b. Cash and Investments

The System retains all of its available cash in a commingled investment pool managed by the Treasurer of the State of Illinois (Treasurer). All deposits are fully collateralized by the Treasurer. " Available cash" is determined to be that amount which is required for the current operating expenditures of the System. The excess of available cash is transferred to the Illinois State Board of Investment (ISBI) for purposes of long-term investment for the System.

The System transfers money to the ISBI for investment in the ISBI Commingled Fund. This money is then allocated among various investment managers to pursue a specific investment strategy. All investment transactions are initiated by the investment managers (either internal or external). The transaction settlement information is then forwarded to the agent bank's trust department under a master custodial agreement.

Custody of a majority of the actual physical securities is maintained at an agent of the agent bank's trust department using a book-entry system. The ISBI's master custodian is The Northern Trust Company. The agent of the master custodian is the Depository Trust Company.

Investments are managed by the ISBI pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes (ILCS) and are maintained in the ISBI Commingled Fund. The ISBI reports securities at fair value. Where appropriate, the fair value includes estimated disposition costs.

Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of June 30. Market value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled equity funds, the net asset value is determined and certified by the commingled equity fund manager as of June 30. Fair value for directly owned real estate investments is determined by appraisals.

Units of the ISBI Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the ISBI Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution.

The investment authority of the ISBI is provided in Chapter 40, Section 5/22A-112 of the ILCS. The ISBI investment authority includes investments in obligations of the U.S. Treasury and other agencies, notes secured by mortgages which are insured by the Federal Housing Commission, real estate, common and preferred stocks, convertible debt securities, deposits or certificates of deposit of federally insured institutions and options. Such investment authority requires that all opportunities be undertaken with care, skill, prudence and diligence given prevailing circumstances that a prudent person acting in like capacity and experience would undertake. The ISBI does not have any one investment which represents 5 percent or more of the ISBI's net assets.

The ISBI participates in a securities lending program at its custodian bank, whereby securities are loaned to brokers and, in return, the ISBI has rights to a portion of a collateral pool. All of the ISBI's securities are eligible for the securities lending program. Collateral consists solely of cash, letters of credit, commercial paper and government securities having a market value equal to or greater than the securities loaned. There are no provisions for ISBI indemnification on the securities lending transactions. As of June 30, 2001 and 2000 the ISBI had outstanding loaned investment securities having market values of $1,011,910,854 and $1,030,242,633, respectively, against which it had received collateral with values of $1,047,527,926 and $1,064,062,213, respectively.

The ISBI's international managers invest in derivative securities. During the year, the ISBI's derivative investments included forward foreign currency contracts. Forward foreign currency contracts are used to hedge against the currency risk in the ISBI's foreign stock and fixed income portfolios. The remaining derivative securities are used to improve yields, or to hedge changes in interest rates.

The ISBI also invests in mortgage-backed securities to maximize yields and to hedge against a rise in interest rates. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The System owns approximately 1.0% of the net investment assets of the ISBI Commingled Fund as of June 30, 2001. A schedule of investment expenses is included in the ISBI annual report.

For additional information on ISBI's investments, please refer to their Annual Report as of June 30, 2001. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

ISBI investments, as categorized by ISBI, are categorized to indicate the level of risk assumed by the ISBI at year end.

•Category I includes investments that are insured or registered or the securities are held by the master custodian in the ISBI's name.

•Category II includes uninsured and unregistered investments with the securities held by the counterparty's agent in the ISBI's name.

•Category III includes uninsured and unregistered investments with the securities held by the counterparty but not in the ISBI's name.

Investments in pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

ISBI's investments categorized as of June 30, 2001

	Fair Value	Category I	Non Categorized
U.S. Government & Agency Obligations	$1,134,638,341	$1,134,638,341	$
Foreign Obligations	108,110,344	108,110,344	
Corporate Obligations	799,240,560	799,240,560	
Convertible Bonds	55,706	55,706	
Common Stock & Equity Funds	3,777,918,575	1,997,025,795	1,780,892,780
Convertible Preferred Stock	3,375,353	3,375,353	
Preferred Stock	5,742,468	5,742,468	
Foreign Equity Securities	1,594,371,444	1,464,005,261	130,366,183
Real Estate Funds	349,790,999		349,790,999
Alternative Investments	494,792,298		494,792,298
Money Market Instruments	345,601,984		345,601,984
Forward Foreign Exchange Contracts	(52,875)	(52,875)	
Total Investments	$ 8,613,585,197	$ 5,512,140,953	$3,101,444,244

c. Actuarial Experience Review

In accordance with Illinois Compiled Statutes, an actuarial experience review is to be performed at least once every five years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the System. An experience review was last performed as of June 30, 1997.

d. Administrative Expenses

Expenses related to the administration of the System are financed through investment earnings and employer retirement contributions. These expenses are budgeted and approved by the System's Board of Trustees.

Administrative expenses common to the General Assembly Retirement System and the Judges' Retirement System are borne 40% by the General Assembly Retirement System and 60% by the Judges' Retirement System.

Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System, and 40% thereof is allocated to and reimbursed by the General Assembly Retirement System. Administrative expenses allocated to and reimbursed by the General Assembly Retirement System as of June 30, 2001 and 2000, were $238,005 and $205,810 respectively.

e. Risk Management

The System, as part of the primary government of the State, provides for risks of loss associated with workers' compensation and general liability through the State's self-insurance program. The System obtains commercial insurance for fidelity, surety, and property. There have been no commercial insurance claims in the past three fiscal years.

4. Funding - Statutory Contributions Required and Contributions Made

For each fiscal year, the System's actuary performs an actuarial valuation and computes actuarially determined contribution requirements for the System, using the Projected Unit Credit actuarial cost method.

For fiscal years 2001 and 2000 , the required employer contributions were computed in accordance with Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides for a systematic 50 year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90%.

In addition, the funding plan provides for a 15 year phase-in period to allow the state to adapt to the increased financial commitment. Once the 15 year phase-in period is complete, the state's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

The total amount of statutorily required employer contributions for fiscal years 2001 and 2000 was $4,305,000 and $3,951,000, respectively. The total amount of employer contributions received from the state during fiscal years 2001 and 2000 was $4,305,000 and $3,951,000, respectively.

5. Administrative Expenses

A summary of the administrative expenses for the General Assembly Retirement System for fiscal years 2001 and 2000 is listed at right.

Administrative expenses for fiscal years 2001 and 2000

	2001	2000
Personal services	$160,320	$137,222
Employee retirement contributions paid by employer	6,010	5,493
Employer retirement contributions	15,950	13,339
Social Security contributions	11,122	9,398
Group insurance	17,514	13,574
Contractual services	57,511	57,981
Travel	2,040	1,648
Printing	1,459	1,371
Commodities	383	388
Telecommunications	1,513	1,330
Electronic data processing	5,403	5,773
Depreciation	1,985	2,731
Change in accrued compensated absences	(4,767)	2,767
Total	$276,443	$253,015

6. Equipment

Fixed assets are capitalized at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows: (1) office furniture - 10 years, (2) equipment - 6 years, and (3) certain electronic data processing equipment - 3 years.

Summary of the changes in fixed assets for fiscal years 2001 and 2000

2001

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 30,503	$ 503	$ (2,343)	$ 28,663
Accumulated depreciation	(26,188)	(1,985)	2,343	(25,830)
Equipment, net	$ 4,315	$ (1,482)	$ -	$ 2,833

2000

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 30,785	$ 1,414	$ (1,696)	$ 30,503
Accumulated depreciation	(25,153)	(2,731)	1,696	(26,188)
Equipment, net	$ 5,632	$ (1,317)	$ -	$ 4,315

7. Accrued Compensated Absences

Employees of the General Assembly Retirement System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned after December 31, 1983 and prior to January 1, 1998 upon termination of employment. These accrued compensated absences as of June 30, 2001 and 2000 total $24,540 and $29,308, respectively and are included in administrative expenses payable.

8. Pension Plan

Plan Description. All of the System's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity.

The SERS is a single-employer defined benefit public employee retirement system (PERS) in which state employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems.

The financial position and results of operations of the SERS for fiscal years 2001 and 2000 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2001 and 2000, respectively. The SERS also issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling 217-785-7202.

The State of Illinois' CAFR may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams St., Springfield, Illinois, 62704-1858 or by calling 217-782-2053.

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute, and the authority under which those obligations are established.

Funding Policy. The System pays employer retirement contributions based upon an actuarially determined percentage of its payrolls. For fiscal years 2001 and 2000 the employer contribution rates were 9.944% and 9.714%, respectively.

Effective for pay periods beginning after December 31, 1991, the State opted to pay the employee portion of retirement for most state agencies with employees covered by the State Employees' and Teachers' Retirement Systems.

Generally, this "pickup" of employee retirement was part of the fiscal year 1992 budget process and was, in part, a substitute for salary increases. The pickup is subject to sufficient annual appropriations and those employees covered may vary across employee groups and state agencies. Currently, state officers, judges, general assembly members, and state university employees are not eligible for the employee pickup.

Other Post-Employment Benefits. In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental and life insurance benefits shall be provided by the state to annuitants who are former state employees. This includes annuitants of the System.

Substantially all state employees including the System's employees may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the state's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to five thousand dollars per annuitant age 60 and older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the years ended June 30, 2001 and 2000. However, post-employment costs for the state as a whole for all state agencies/departments for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the State of Illinois' Comprehensive Annual Financial Report.

Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis. The System is not the administrator of any of the other post-employment benefits described above.

9. Analysis of Changes in Reserve Balances

The funded statutory reserves of the General Assembly Retirement System are composed of two components as follows:

a. Reserve for Participants' Contributions

This reserve consists of participants' accumulated contributions for retirement annuities, survivors' annuities and automatic annual increases.

b. Reserve for Future Operations

This reserve is the balance remaining in the General Assembly Retirement System from State of Illinois contributions and revenue from investments after consideration of charges for payouts by the General Assembly Retirement System.

Statements of Changes in Reserve Balances
Years Ended June 30, 2001 and 2000

	Participants' Contributions	Future Operations	Total Reserve Balances
Balance at June 30, 1999	$ 12,938,514	$53,893,994	$66,832,508
Add (deduct):			
Excess of revenues over expenses	1,219,949	2,418,987	3,638,936
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(461,116)	461,116	-
Balance at June 30, 2000	13,697,347	56,774,097	70,471,444
Add (deduct):			
Excess of revenues over/(under) expenses	1,376,723	(9,850,320)	(8,473,597)
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(406,269)	406,269	-
Balance at June 30, 2001	$14,667,801	$47,330,046	$61,997,847

10. Subsequent Event

The ISBI Commingled Fund had a decline in its investment portfolio subsequent to year end due to turbulent market conditions. At September 30, 2001, the ISBI Commingled Fund had incurred an approximate $753 million (8.8%) decrease in its investment portfolio due to declines in the domestic and international equity markets.

Required Supplementary Information

Schedule of Funding Progress [1]

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/97	$ 56,709,651	$ 143,836,605	$ 87,126,954	39.4%	$ 9,362,000	930.6%
6/30/98	62,737,590	150,408,448	87,670,858	41.7	10,005,000	876.3
6/30/99	66,832,508	160,870,755	94,038,247	41.5	10,467,000	898.4
6/30/00	70,471,444	169,362,915	98,891,471	41.6	10,763,000	918.8
6/30/01	61,997,847	177,546,144	115,548,297	34.9	11,479,000	1,006.6

Schedule of Employer Contributions [1]

Year Ended June 30	Annual Required Contribution per GASB Statement No. 25	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
1997	$ 4,939,052	55.4%	$ 2,738,000	100.0%
1998	5,318,505	58.5	3,113,000	100.0
1999	6,092,002	60.7	3,504,000	105.6
2000	6,311,995	62.6	3,951,000	100.0
2001	6,530,519	65.9	4,305,000	100.0

(1) The required Schedules of Funding Progress and Employer Contributions are to include information for the current year and as many of the prior years as information according to the parameters stipulated in GASB Statement No. 25 entitled "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" is available. The schedules should not include information that does not meet the parameters. The System has only five years of information which meet the requirements of the parameters, therefore, that is all the information which is presented.

Notes to Required Supplementary Information

Valuation date: June 30, 2001

Actuarial cost method: Projected Unit Credit

Amortization method:

a. For GASB Statement No. 25 reporting purposes: Level percent of payroll

b. Per state statute: 15-year phase-in to a level percent of payroll until a 90% funding level is achieved

Remaining amortization period:

a. For GASB Statement No. 25 reporting purposes: 40 years, open

b. Per state statute: 44 years, closed

Asset valuation method: Fair value

Actuarial assumptions:

Investment rate of return: 8.0 percent per year, compounded annually

Projected salary increases: 6.5 percent per year, compounded annually

Assumed inflation rate: 4.0 percent

Group size growth rate: 0.0 percent

Post-retirement increase: 3.0 percent per year, compounded annually

SUMMARY OF REVENUES BY SOURCE

Years Ended June 30, 2001 and 2000

	2001	2000
Contributions:		
Participants:		
Participants	$ 1,393,673	$ 1,317,542
Interest paid by participants	13,965	–
Total participant contributions	1,407,638	1,317,542
Employer:		
General Revenue Fund	3,815,000	3,471,000
State Pension Fund	490,000	480,000
Paid by participants	6,909	–
Total employer contributions	4,311,909	3,951,000
Total contributions revenue	5,719,547	5,268,542
Investments:		
Net investment income	1,642,488	1,603,495
Interest earned on cash balances	102,744	98,951
Net appreciation/(depreciation) in fair value of investments	(6,396,149)	5,859,238
Total net investment income/(loss)	(4,650,917)	7,561,684
Total revenues	$ 1,068,630	$ 12,830,226

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended June 30, 2001 and 2000

	2001	2000
Cash balance, beginning of year	$ 1,638,076	$ 1,657,356
Receipts:		
Participant contributions	1,383,519	1,317,542
Employer contributions:		
General Revenue Fund	3,815,000	3,471,000
State Pension Fund	490,000	480,000
Interest income on cash balances	104,552	97,575
After-tax installment payments	1,856	1,856
Tax-deferred installment payments	19,396	3,505
Cancellation of annuities	3,233	1,206
Transfers from Illinois State Board of Investment	3,700,000	3,800,000
Miscellaneous	20	51
Total cash receipts	9,517,576	9,172,735
Disbursements:		
Benefit payments:		
Retirement annuities	7,492,801	7,186,818
Survivors' annuities	1,726,101	1,655,070
Refunds	34,306	97,651
Administrative expenses	270,364	252,476
Total cash disbursements	9,523,572	9,192,015
Cash balance, end of year	$ 1,632,080	$ 1,638,076

SCHEDULE OF PAYMENTS TO CONSULTANTS
Years Ended June 30, 2001 and 2000

	2001	2000
Actuary	$14,000	$14,000
Audit fees	16,217	16,644
Tax consultant	-	1,500
Total	$30,217	$32,144

Investment Section

INVESTMENT REPORT

By state law the System's investment function is managed by the Illinois State Board of Investment (ISBI). The ISBI was created in 1969 to provide a means of centralizing the investment management function for public employee pension funds and retirement systems operating in the state.

In addition to the assets of the General Assembly Retirement System, the ISBI also manages the investment function for the State Employees' and Judges' Retirement Systems. All ISBI investments are accounted for in a commingled fund (ISBI Fund).

As of June 30, 2001, total net assets under management valued at market, amounted to $8.578 billion. Of the total market value of assets under management, $60.5 million or approximately 1% represented assets of the General Assembly Retirement System.

A summary of the portfolio's largest holdings, as well as the complete listing of the ISBI portfolio, are included in the ISBI Annual Report. A schedule of fees and commissions paid by brokerage firm and a listing of transactions executed, including transaction value, are also contained in the ISBI Annual Report. The following investment information and analysis has been prepared by the ISBI.

Investment Policy

The ISBI operates under a strategic investment policy which is reviewed and approved every two years. The investment objective of the total portfolio is to maximize the rate of return on investments within a prudent level of risk.

To achieve this objective, the ISBI invests in different types of assets and uses multiple managers to ensure diversification. Over an investment cycle, the ISBI seeks to achieve a rate of return which is:

1. At least equal to the assumed actuarial interest rate, currently 8.0% per year.
2. At least equal to the return of the policy-weighted benchmark, a theoretical "indexed" implementation of the ISBI's asset allocation policy.

Asset Allocation

The investment policy of the ISBI Board establishes asset allocation targets and ranges for each asset class, selected to achieve overall risk and return objectives. The policy is implemented by allocations to investment managers with assignments to invest in specific asset classes, with defined security selection styles and methodologies. The policy asset allocation at June 30, 2001 was 43% U.S. equities, 20% international equities, 22% fixed income, 7% real estate, and 8% alternative investments.

The actual asset allocation of the portfolio at June 30, 2001, as relative to the policy target, is set forth below. The publicly traded asset classes (U.S. equity and fixed income) were modestly overweighted relative to the policy target, to compensate for an underweight to private market categories (alternative investments and real estate). Effective July 1, 2000, the Board modestly increased the strategic allocation for real estate (+2%) and for alternative investments (+3%), and it takes time to implement those increases. As the ISBI Board fills the alternatives and real estate categories, U.S. equity and fixed income will be reduced accordingly.

	Actual Asset Allocation	Policy Target
U.S. Equities	45%	43%
International Equities	19	20
Fixed Income	26	22
Real Estate	4	7
Alternative Investments	6	8
Total	100%	100%

Investment Results

After a six year run of double digit returns, the ISBI total fund experienced an abrupt correction. The ISBI total fund was down 7.1% for fiscal 2001, net of expenses. This represents the first negative fiscal year for the fund since 1983, and reflects the negative stock market environment, both in the U.S. and abroad. While the ISBI fund clearly did not meet its long-term objective of exceeding the 8.0% assumed actuarial interest rate, the return was modestly ahead of the policy-weighted benchmark return, which lost 7.3%. For both the five and ten year periods ended June 30, 2001, the fund has beat the actuarial hurdle, with an average annual return of 10.5% and 11.1%, respectively, which in both cases is modestly ahead of the benchmark return as well.

U.S. Equities

For the twelve months ended June 30, 2001, U.S. investors' infatuation with the stock market finally came to a halt. The Russell 3000 Index, a broad representation of the U.S. market, lost 13.9%. Reversing another trend, value stocks far exceeded growth stock, with the Russell 3000Value Index earning 11.6%, compared to the Russell 3000 Growth Index loss of 35.3%. Small capitalization stocks continued a two year streak of outperforming large capitalization stocks, with the Russell 2000 Index eking out a positive return of 0.6%, vs. a 14.8% loss for the S&P 500.

The ISBI's U.S. equity portfolio was down 10.3% for the fiscal year, 360 basis points ahead of the Russell 3000. While a negative return is never the desired result, the portfolio did perform as it was constructed to do; namely, to limit tracking error relative to the benchmark and to add value with active management. The ISBI Board, through structure analysis, rebalancing, and risk management, has achieved the objective of tracking the market with predictable consistency.

	1 Year	3 Years	5 Years
ISBI	(10.3)%	5.1%	13.4%
S&P 500 Stock Index	(14.8)	3.9	14.5
Russell 3000 Index	(13.9)	4.2	13.8

During fiscal 2001, the Board terminated it's large-cap value manager (Fidelity), and hired LSV to fill that slot.

International Equities

After a strong fiscal 2000, foreign stock markets also succumbed to the anxiety which hit the U.S. market. The Morgan Stanley All-Country Free ex US ('MS-AC Free ex US') Index, gave up 24.1% for the fiscal year, more than 10 percentage points below the U.S. return. As in the U.S., value stocks held up significantly better than growth stocks. For fiscal 2001, there was not a significant difference between developed and emerging market returns.

The ISBI's international equity portfolio, down 21.0%, outperformed the benchmark by over 300 basis points for the fiscal year. As with the U.S. equity portfolio, the ISBI Board has the twin objectives of limiting tracking error relative to the benchmark and adding value with active management. There were no manager changes in the international equity portfolio during fiscal 2001.

	1 Year	3 Years	5 Years
ISBI %	(21.0)%	0.3%	5.3%
MS-AC Free ex US Index	(24.1)	(0.6)	2.6

Fixed Income

The role of fixed income is to provide stability in times of difficult stock markets. During fiscal 2001, the fixed income portfolio fulfilled that role. As the Federal Reserve lowered short-term rates from 6.5% to 3.75% over the 12-month period, the Lehman Aggregate Bond Index responded and rose 11.2%. High yield bonds, as represented by the Merrill Lynch High Yield Index, were more negatively impacted by stock market activity and were only up 2.1%.

	1 Year	3 Years	5 Years
ISBI	9.5%	5.6%	7.4%
Lehman Aggregate Bond Index	11.2	6.2	7.5

Substantially all fixed income assets are managed internally, except approximately $120 million allocated to an external high yield bond manager. The investment grade internal account was slightly behind the Lehman Aggregate Bond index, with a return of 11.0%. Lower returns from high yield accounts, both internal and external, resulted in a total fixed income return of 9.5%.

Real Estate

Prior to fiscal 2001, the ISBI Board's real estate policy was to seek higher return real estate opportunities while controlling for risk. Therefore, investments focused on value-added or opportunistic strategies. However, effective July 1, 2000, the ISBI Board increased its strategic allocation to real estate from 5% to 7% of the total fund. At the new allocation level, the ISBI Board felt it was appropriate to review the strategic plan for real estate. The ISBI Board concluded that 50% of its real estate should be in core, income producing real estate, with the balance in higher return strategies. While the ISBI Board did not make any new commitments to real estate in fiscal 2001, a search is currently under way for commingled core real estate opportunities. All of ISBI's current investments in real estate are passive and are represented by interests in limited partnerships, trusts and other forms of pooled investments.

Real estate continued to provide solid returns during fiscal 2001, with the NCREIF Real Estate Index earning 12.5%. ISBI's real estate portfolio, dominated by a number of less mature investments, earned a more modest 7.0%. While below the index, the real estate return did provide a buffer for the negative results from the turbulent stock market.

	1 Year	3 Years	5 Years
ISBI	7.0%	5.7%	10.9%
NCREIF Real Estate Index	12.5	13.4	13.5

Alternative Investments

The alternative investments portfolio consists of passive interest in limited partnerships and other commingled vehicles that invest in venture capital, management buyouts and other private placement activities.

As in the stock market, fiscal 2001 proved to be the end of a bull run for alternative investments. The abrupt closing of the initial public offering (IPO) market which accompanied the technology correction took its toll on private equity investments. Overall, ISBI's alternative investments portfolio lost 6.9% for the fiscal year. While this is not as dramatic as the results in the public stock market, there is the possibility that any recovery in private markets will lag the public one.

Effective July 1, 2000, the ISBI Board increased its strategic allocation for alternative investments from 5% to 8% of total assets. During fiscal 2001, the ISBI Board made commitments totaling $242.5 million to 10 limited partnerships. The new partnerships are:

Venture Capital: ABS Capital Partners IV; Sprout IX; Summit Partners VI; TL Ventures V; Weiss, Peck & Greer VI

Buyouts: Bear Stearns II; DLJ Merchant Banking III; Madison Dearborn IV; Welsh, Carson, Anderson & Stowe IX

Special Situations: Warburg Pincus VIII

Management Expenses

Total expenses for the fiscal year were $20.6 million, compared to $20.7 for fiscal 2000. The resulting expense ratio (expenses divided by total net assets) was 0.23% in fiscal 2001, unchanged from fiscal 2000.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 2001		June 30, 2000	
Investments, at market value				
U.S. Government and Agency Obligations	$ 1,134,638,341	13.22%	$ 1,154,131,028	12.45%
Foreign Obligations	108,110,344	1.26	68,212,655	0.74
Corporate Obligations	799,240,560	9.31	543,874,357	5.87
Convertible Bonds	55,706	0.00	10,928,836	0.12
Common Stock & Equity Funds	3,777,918,575	44.04	3,957,626,585	42.69
Convertible Preferred Stock	3,375,353	0.04	38,141,900	0.41
Preferred Stock	5,742,468	0.07	6,764,833	0.07
Foreign Equity Securities	1,594,371,444	18.59	2,086,712,466	22.51
Real Estate Funds	349,790,999	4.08	284,414,376	3.07
Alternative Investments	494,792,298	5.77	535,793,992	5.78
Money Market Instruments	345,601,984	4.03	606,334,768	6.54
Forward Foreign Exchange Contracts	(52,875)	0.00	341,876	0.00
	8,613,585,197	100.41	9,293,277,672	100.25
Other Assets, Less Liabilities	(35,503,230)	(0.41)	(22,948,274)	(0.25)
Net Assets, at Market Value	$ 8,578,081,967	100.0%	$ 9,270,329,398	100.00%

ANALYSIS OF INVESTMENT PERFORMANCE[1]

	2001	2000	1999	1998	1997
Total Return* - Past 3 years		5.5%			
Total Return* - Past 5 years			10.5%		
Total Return* - year by year	(7.1)%	11.8%	12.9%	18.1%	18.8%
Actuarial Assumed Rate of Return			8.0%		
Average Net Income Yield*	2.6%	2.4%	2.8%	3.4%	3.9%
Comparative rates of return on fixed income securities					
Total fixed income - ISBI	9.5%	4.0%	3.4%	11.1%	9.5%
Comparison index:					
Shearson Lehman Aggregate	11.2%	4.6%	3.1%	10.5%	8.2%
Comparative rates of return on equities					
Domestic equities - ISBI	(10.3)%	10.3%	17.3%	27.6%	26.3%
Comparison index:					
S&P 500	(14.8)%	7.3%	22.7%	30.2%	34.6%

[1] The Northern Trust Company, the ISBI's master custodian, provides performance rates of return by portfolio, portfolio aggregation and the respective indices in accordance with the Association for Investment Management and Research (AIMR) performance presentation standards.

* Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

ADDITIONAL INVESTMENT INFORMATION

The following table shows a comparison of ISBI investment operations for fiscal years 2001 and 2000:

	2001	2000	Increase/(Decrease) Amount	Percentage
Balance at beginning of year, at fair value	$ 68,916,666	$ 65,253,933	$ 3,662,733	5.6%
Cash transferred from ISBI (net)	(3,700,000)	(3,800,000)	(100,000)	(2.6)%
Net ISBI investment revenue:				
ISBI Commingled Fund income	1,790,900	1,760,762	30,138	1.7%
Less ISBI Expenses	(148,412)	(157,267)	(8,855)	(5.6)%
Net ISBI investment income	1,642,488	1,603,495	38,993	2.4%
Net appreciation/(depreciation) in fair value of ISBI investments	(6,396,149)	5,859,238	(12,255,387)	(209.2)%
Net ISBI investment revenue	(4,753,661)	7,462,733	(12,216,394)	(163.7)%
Balance at end of year, at fair value	$ 60,463,005	$ 68,916,666	$ (8,453,661)	(12.3)%

In addition, interest on the average balance in the System's cash account in the State Treasury for FY 2001 was $102,744 compared to $98,951 during FY 2000.

Actuarial Section

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October 15, 2001

Board of Trustees and Executive Secretary
General Assembly Retirement System of Illinois
2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794

ACTUARIAL CERTIFICATION

We have completed the annual actuarial valuation of the General Assembly Retirement System of Illinois as of June 30, 2001. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system.

Since the effective date of the last actuarial valuation, House Bill 1583, which was signed into law on July 6, 2000 as Public Act 91-0887, made some changes in the benefit provisions of the system. The legislation allows a surviving spouse to remarry prior to the attainment of age 55 without being disqualified for the receipt of a survivor's annuity, provided such remarriage occurs on or after July 6, 2000. We have estimated that the benefit changes enacted under Public Act 91-0887 had a relatively minor financial impact on the system.

Pursuant to the law governing the system, the actuary shall investigate the experience of the system at least once every five years and recommend, as a result of such investigation, the actuarial assumptions to be adopted. As the actuary, we have completed such an experience analysis for the five-year period 1991-1996. Based on this experience analysis, we recommended actuarial assumptions which were adopted by the system's board effective June 30, 1997 and which were used for the current valuation. We believe that, in the aggregate, the current actuarial assumptions relate reasonably to the past and anticipated experience of the system.

Section 5/2-124 of the Illinois Pension Code specifies the funding plan currently in effect for the system. The financing objective under this plan is to have the required State contributions sufficient to bring the total assets of the system up to 90% of the total actuarial liabilities by the end of fiscal year 2045. For fiscal years 2011 through 2045, the required State contributions are to be a level percentage of payroll. For fiscal years 1996 through 2010, the State contribution shall be increased as a percentage of the applicable payroll in equal annual increments so that by fiscal year 2011, the State is contributing at the required rate.

GOLDSTEIN & ASSOCIATES
Actuaries and Consultants

Based on the June 30, 2001 actuarial valuation, we have determined the required State contribution under this funding plan for fiscal year 2003. We have also estimated the required State contributions for future years.

The system's current funding plan does not meet the requirements for amortizing the unfunded liability provided under GASB Statement No. 25. In all other respects, the assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by GASB Statement No. 25.

The asset values used for the valuation were based on the audited asset information reported by the system. For purposes of the current valuation, the market value of the assets of the system, less the amount of liabilities, was used.

The actuarial liabilities have been valued on the basis of membership data, which is supplied by the administrative staff of the system and verified by the system's auditors. We have made additional tests to ensure its accuracy.

In our opinion, the information presented herein fairly presents the financial condition of the General Assembly Retirement System of Illinois as of June 30, 2001. We prepared the accompanying Actuarial Cost Method and Summary of Major Actuarial Assumptions. The staff of the retirement system prepared the other supporting schedules in this section and the trend tables in the financial section, based on information contained in our actuarial reports.

Respectfully submitted,

Sandor Goldstein

Sandor Goldstein, F.S.A.
Consulting Actuary

Carl J. Smedinghoff

Carl J. Smedinghoff, A.S.A.
Associate Actuary

INTRODUCTION

Annually, the System's actuarial consultants perform a valuation of the liabilities and reserves of the System in order to make a determination of the amount of contributions required from the state. These results are then certified to the Board.

The Board, in turn, has the duty of certifying an employer contribution amount, required to be paid to the System by the state during the succeeding fiscal year.

The employers' contribution amount, together with participants' contributions, income from investments and any other income received by the System, shall be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial requirements, pursuant to Chapter 40, Section 5/2-146 of the Illinois Compiled Statutes.

In August, 1994, then Governor Edgar signed Senate Bill 533 into law as Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides that:

- For fiscal years 2011 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045. In making these determinations, the required contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

- For fiscal years 2001 through 2010, the contribution to the System, as a percentage of the payroll, shall be increased in equal annual increments so that by fiscal year 2010 the contribution rate is at the same level as the contribution rate for fiscal years 2011 through 2045.

- Beginning in fiscal year 2045, the minimum contribution to the System for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

The amortization period required by the state's funding plan, as described above, does not meet the parameters of GASB Statement No. 25.

Most importantly, the funding legislation also provides for the establishment of a continuing appropriation of the required employer contributions to the System. This has, in effect, removed the appropriation of these funds from the annual budgetary process.

Although long-term in nature, we believe that this legislation has been an extremely positive step forward which will ensure the long-term financial integrity of the state's retirement systems including the General Assembly Retirement System.

For fiscal years 2001 and 2000, the System received the actuarially determined employer contributions in accordance with the state's funding plan described above.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected unit credit actuarial cost method. Under this method, the actuarial liability is the actuarial present value or that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.

Actuarial gains and losses are recognized immediately in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized in accordance with the funding plan established by Public Act 88-0593.

DESCRIPTION OF THE ACTUARIAL ASSUMPTIONS UTILIZED FOR FISCAL YEAR 2001 & FISCAL YEAR 2000

Dates of Adoption: The Projected Unit Credit Normal Cost Method was adopted June 30, 1987; all other assumptions were adopted June 30, 1997.

Mortality Rates: Active and retired members: The UP-1994 Mortality Table for Males, rated up 2 years. Spouses: The UP-1994 Mortality Table for Females, rated up 1 year.

Salary Increase: A salary increase assumption of 6.5% per year (consisting of a general increase component of 5.0% per year, 4.0% of which is attributable to inflation, and a seniority/merit component of 1.5% per year), compounded annually, was used. In determining total covered payroll, the size of the active group is assumed to remain constant.

Interest Rate: An interest rate assumption of 8.0% per year (consisting of an inflation component of 4.0% per year and a real rate of return component of 4.0% per year), compounded annually, was used.

Marital Status: It was assumed that 75% of active participants will be married at the time of retirement.

Spouse's Age: The age of the spouse was assumed to be 4 years younger than the age of the participant.

Termination Rates: Termination rates based on the recent experience of the System were used. The following is a sample of the termination rates that were used:

Age	Rate of Termination
20 - 65	.090
66 and over	.000

Disability Rates: Disability rates based on the recent experience of the System as well as on published disability rate tables were used. The following is a sample of the disability rates that were used:

Age	Rate of Disability	Age	Rate of Disability
30	.00057	45	.00115
35	.00064	50	.00170
40	.00083	55 and over	.00000

Retirement Rates: Rates of retirement for each age from 55 to 80 based on the recent experience of the System were used. The following are samples of the rates of retirement that were used:

Age	Rate of Retirement
55	.18
60	.16
65	.17
70	.20
75	.20
80 and over	1.00

The above retirement rates are equivalent to an average retirement age of approximately 64.

SUMMARY OF AND CHANGES TO THE PLAN PROVISIONS

Please refer to the Plan Summary and Legislative Section for a summary of the plan provisions and legislative amendments that were evaluated and considered by the actuary during the valuation process.

VALUATION RESULTS

Actuarial Liability (Reserves)	June 30, 2001	June 30, 2000
For Active Participants:		
Basic retirement annuity	$ 25,592,752	$ 23,900,777
Annual increase in retirement annuity	7,327,051	6,869,374
Pre-retirement survivors' annuity	2,453,388	2,234,272
Post-retirement survivors' annuity	3,912,645	3,625,712
Withdrawal benefits	7,831,584	7,810,901
Disability benefits	174,280	170,680
Total	47,291,700	44,611,716
For Participants Receiving Benefits:		
Retirement annuities	82,832,141	78,711,793
Survivor annuities	14,943,653	14,304,981
Total	97,775,794	93,016,774
For Inactive Participants	32,478,650	31,734,425
Total Actuarial Liability	177,546,144	169,362,915
Net Assets, Fair Value	61,997,847	70,471,444
Unfunded Actuarial Liability	$ 115,548,297	$ 98,891,471

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active and inactive participant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active and inactive participants. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active and inactive participants (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time, although it is very rare for a system to have its liability 3 fully funded.

Computed Actuarial Values

	Aggregate Accrued Liabilities For				Percentage of Accrued Liabilities Covered By Net Real Assets		
Fiscal Year	(1) Active and Inactive Participant Contributions	(2) Retirement and Survivor Annuitants	(3) Active and Inactive Participants (Employer Financed Portion)	Net Assets Available for Benefits*	(1)	(2)	(3)
1992	$ 10,098,012	$ 48,987,293	$ 29,452,024	$ 37,618,218	100.0%	56.2%	0.0%
1993	10,263,855	62,875,015	29,361,863	40,673,690	100.0	48.4	0.0
1994	10,734,454	65,587,970	34,397,534	40,910,567	100.0	46.0	0.0
1995	11,059,576	70,633,297	37,669,240	40,697,602	100.0	42.0	0.0
1996	11,732,410	73,422,443	42,210,060	51,404,258	100.0	54.0	0.0
1997	11,911,785	82,533,374	49,391,446	56,709,651	100.0	54.3	0.0
1998	12,911,744	82,807,632	54,689,072	62,737,590	100.0	60.2	0.0
1999	12,938,514	91,451,207	56,481,034	66,832,508	100.0	58.9	0.0
2000	13,697,347	93,016,774	62,648,794	70,471,444	100.0	61.0	0.0
2001	14,667,801	97,775,794	65,102,549	61,997,847	100.0	48.4	0.0

* Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, net assets are reported at cost (book value).

SUMMARY OF ACCRUED & UNFUNDED ACCRUED LIABILITIES (Analysis of Funding)

In an inflationary economy, the value of the dollar decreases. This environment results in employees' pay and retirement benefits increasing in dollar amounts resulting in unfunded accrued liabilities which increase in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. The ratio of the unfunded accrued liabilities to active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active participant payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Fiscal Year	Total Actuarial Liability	Net Assets*	Net Assets as a % of Actuarial Liability	Total Unfunded Actuarial Liability	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Annual Covered Payroll
1992	$ 88,537,329	$ 37,618,218	42.5%	$ 50,919,111	$ 8,432,000	603.9%
1993	102,500,733	40,673,690	39.7%	61,827,043	8,651,000	714.7%
1994	110,719,958	40,910,567	36.9%	69,809,391	8,597,000	812.0%
1995	119,362,113	40,697,602	34.1%	78,664,511	8,774,000	896.6%
1996	127,364,913	51,404,258	40.4%	75,960,655	8,825,000	860.7%
1997	143,836,605	56,709,651	39.4%	87,126,954	9,362,000	930.6%
1998	150,408,448	62,737,590	41.7%	87,670,858	10,005,000	876.3%
1999	160,870,755	66,832,508	41.5%	94,038,247	10,467,000	898.4%
2000	169,362,915	70,471,444	41.6%	98,891,471	10,763,000	918.8%
2001	177,546,144	61,997,847	34.9%	115,548,297	11,479,000	1,006.6%

* Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, net assets are reported at cost (book value).

SCHEDULE OF RETIRANTS & SURVIVORS' ANNUITANTS ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Annuitants Beginning	Annuitants Additions	Annuitants Deletions	Annuitants Ending	Survivors* Beginning	Survivors* Additions	Survivors* Deletions	Survivors* Ending	Total
1992	200	12	8	204	125	13	7	131	335
1993	204	33	7	230	131	6	6	131	361
1994	230	5	13	222	131	11	8	134	356
1995	222	11	14	219	134	14	6	142	361
1996	219	7	10	216	142	7	12	137	353
1997	216	14	7	223	137	6	11	132	355
1998	223	2	7	218	132	4	8	128	346
1999	218	15	9	224	128	7	5	130	354
2000	224	7	10	221	130	5	7	128	349
2001	221	11	6	226	128	5	8	125	351

*Includes reversionary annuities

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1992	190	$ 8,432,000	$ 44,379	5.0%
1993	186	8,651,000	46,511	4.8%
1994	184	8,597,000	46,723	0.5%
1995	182	8,774,000	48,209	3.2%
1996	181	8,825,000	48,757	1.1%
1997	181	9,362,000	51,724	6.1%
1998	181	10,005,000	55,276	6.9%
1999	181	10,467,000	57,829	4.6%
2000	181	10,763,000	59,464	2.8%
2001	181	11,479,000	63,420	6.7%

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	FY 2001	FY 2000
Unfunded actuarial liability at Beginning of FY	$ 98,891,471	$ 94,038,247
Employer contribution requirement of normal cost plus interest on the unfunded liability	10,115,136	9,527,440
Actual employer contribution for the year	4,311,909	3,951,000
Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	5,803,227	5,576,440
Increase/(Decrease) in unfunded liability due to investment return lower/(greater) than assumed	10,135,725	(2,371,993)
(Decrease) in unfunded liability due to salary increases lower than assumed	(555,323)	(431,214)
+ Increase in unfunded liability due to salary increases for inactive members	1,962,424	2,869,893
(Decrease) in unfunded liability due to other sources	(689,227)	(789,902)
Total Actuarial (Gains)/Losses	10,853,599	(723,216)
= Net Increase in unfunded liability for the year	16,656,826	4,853,224
Unfunded actuarial liability at End of FY	$115,548,297	$ 98,891,471

Statistical Section

ASSET BALANCES

Fiscal Year Ended June 30	Cash	Receivables	Investments*	Fixed Assets Net of Accumulated Depreciation	Total
1992	$ 1,079,624	$ 5,026	$ 36,627,373	$ 16,163	$ 37,728,186
1993	2,159,819	485,485	38,094,187	17,184	40,756,675
1994	1,177,781	3,191	39,825,825	12,120	41,018,917
1995	1,693,213	8,941	39,081,113	9,384	40,792,651
1996	1,836,256	7,600	49,643,586	5,128	51,492,570
1997	2,113,679	9,625	54,674,448	9,028	56,806,780
1998	1,643,053	12,841	61,160,683	6,583	62,823,160
1999	1,657,356	11,792	65,253,933	5,632	66,928,713
2000	1,638,076	9,721	68,916,666	4,315	70,568,778
2001	1,632,080	19,546	60,463,005	2,833	62,117,464

* Investments are reported at fair value after fiscal year 1995. For all other fiscal years investments are reported at cost (book value).

LIABILITIES AND RESERVE BALANCES

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Future Operations*	Total
1992	$ 109,968	$ 10,098,012	$ 27,520,206	$ 37,728,186
1993	82,985	10,263,855	30,409,835	40,756,675
1994	108,350	10,734,454	30,176,113	41,018,917
1995	95,049	11,059,576	29,638,026	40,792,651
1996	88,312	11,732,410	39,671,848	51,492,570
1997	97,129	11,911,875	44,797,866	56,806,780
1998	85,570	12,911,744	49,825,846	62,823,160
1999	96,205	12,938,514	53,893,994	66,928,713
2000	97,334	13,697,347	56,774,097	70,568,778
2001	119,617	14,667,801	47,330,046	62,117,464

* The Reserve for Future Operations reflects investments reported at fair value after fiscal year 1995. For all other fiscal years, the Reserve for Future Operations reflects investments reported at cost (book value).

REVENUES BY SOURCE

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions: State of Illinois	Employer Contributions: Other Sources	Employer Contributions: Total	Net Investment Revenue*	Total
1992	$ 1,375,885	$ 1,965,600	$ 105,410	$ 2,071,010	$ 3,976,419	$ 7,423,314
1993	2,498,833	2,201,000	510,285	2,711,285	3,517,628	8,727,746
1994	1,011,354	2,116,800	-	2,116,800	3,476,303	6,604,457
1995	1,174,764	2,148,200	163,814	2,312,014	3,155,655	6,642,433
1996	1,141,155	2,400,000	-	2,400,000	7,454,578	10,995,733
1997	1,285,985	2,738,000	49,074	2,787,074	9,021,348	13,094,407
1998	1,224,533	3,113,000	-	3,113,000	9,780,815	14,118,348
1999	1,413,676	3,592,018	107,740	3,699,758	7,683,634	12,797,068
2000	1,317,542	3,951,000	-	3,951,000	7,561,684	12,830,226
2001	1,407,638	4,305,000	6,909	4,311,909	(4,650,917)	1,068,630

* The Net Investment Revenue includes both realized and unrealized gains and losses on investments for fiscal years after 1995. For all other fiscal years, the Net Investment Revenue includes only realized gains and losses on investments.

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefits	Refunds of Contributions	Administrative Expenses	Total
1992	$ 4,658,134	$ 129,978	$ 159,077	$ 4,947,189
1993	5,314,381	154,283	203,610	5,672,274
1994	6,131,496	41,590	194,494	6,367,580
1995	6,539,921	117,386	198,091	6,855,398
1996	6,991,373	90,464	202,880	7,284,717
1997	7,368,818	206,666	213,530	7,789,014
1998	7,779,442	83,392	227,575	8,090,409
1999	8,333,664	129,369	239,117	8,702,150
2000	8,840,682	97,593	253,015	9,191,290
2001	9,227,960	37,824	276,443	9,542,227

BENEFIT EXPENSES BY TYPE

Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities *	Total
1992	$ 3,666,601	$ 991,533	$ 4,658,134
1993	4,241,273	1,073,108	5,314,381
1994	4,942,821	1,188,675	6,131,496
1995	5,203,413	1,336,508	6,539,921
1996	5,561,571	1,429,802	6,991,373
1997	5,912,782	1,456,036	7,368,818
1998	6,238,415	1,541,027	7,779,442
1999	6,742,033	1,591,631	8,333,664
2000	7,186,818	1,653,864	8,840,682
2001	7,505,092	1,722,868	9,227,960

* *Includes Reversionary annuities.*

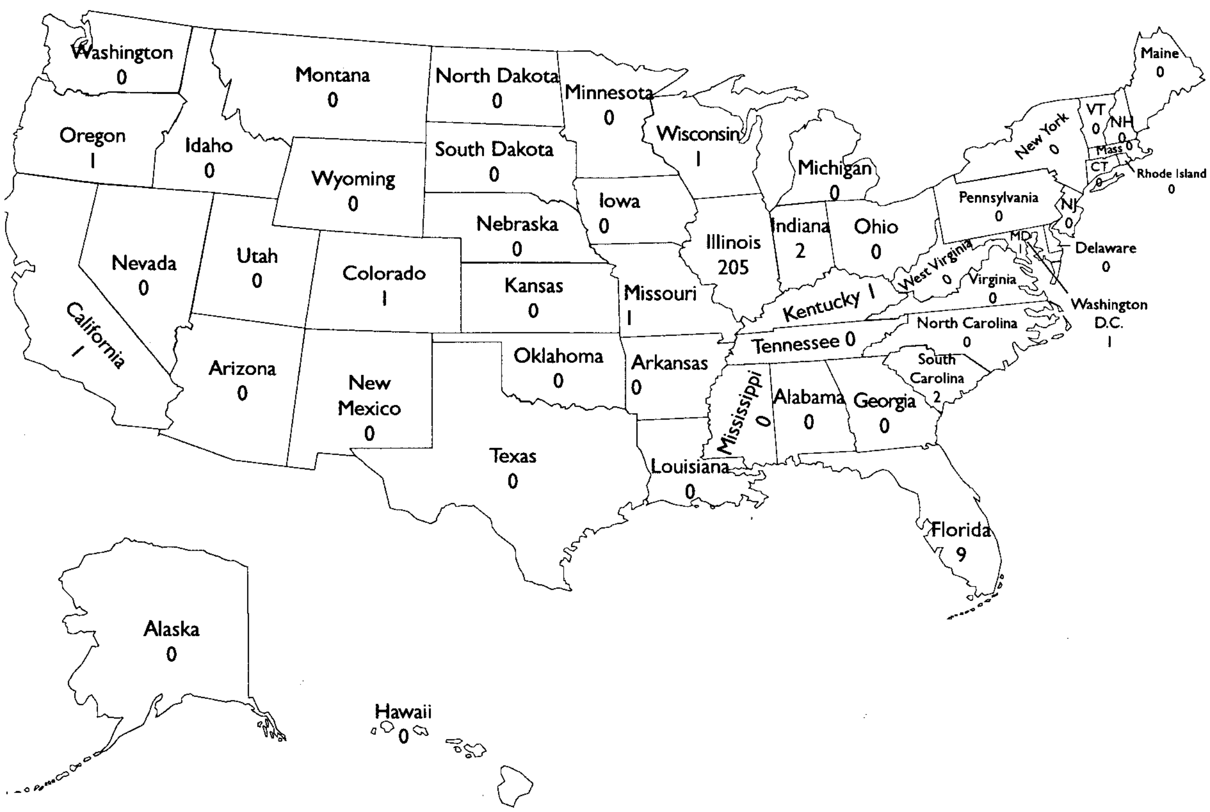
NUMBER OF RECURRING BENEFIT PAYMENTS

At June 30	Retirement Annuities	Survivors' Annuities	Reversionary Annuities	Total
1992	204	128	3	335
1993	230	128	3	361
1994	222	131	3	356
1995	219	139	3	361
1996	216	134	3	353
1997	223	129	3	355
1998	218	125	3	346
1999	224	127	3	354
2000	221	125	3	349
2001	226	122	3	351

NUMBER ON ACTIVE PAYROLLS

At June 30	Elected State Officers	House Members	Senate Members	Miscellaneous Active	Total
1992	6	118	59	7	190
1993	6	118	59	3	186
1994	6	118	59	2	185
1995	6	118	59	-	183
1996	6	118	59	-	183
1997	6	118	59	-	183
1998	6	118	59	-	183
1999	6	118	59	-	183
2000	6	118	59	-	183
2001	6	118	59	-	183

ACTIVE RETIREES BY STATE



RETIREMENT ANNUITANTS STATISTICS & AVERAGE MONTHLY BENEFITS

	At Retirement			
Fiscal Year Ended June 30	**Average Age**	**Average Length of Service ***	**Average Current Age**	**Average Current Monthly Benefit**
1992	60.0	12.7	70.5	$1,526
1993	60.2	13.4	70.0	1,761
1994	59.9	13.2	70.2	1,880
1995	60.0	13.4	70.3	2,047
1996	59.8	13.4	70.5	2,175
1997	60.0	13.6	70.7	2,301
1998	59.8	13.7	71.4	2,399
1999	59.0	15.0	71.2	2,604
2000	59.6	13.8	71.6	2,706
2001	59.6	13.6	71.7	2,810

* in years

NUMBER OF PARTICIPANTS

At June 30	Active	Inactive	Total
1992	190	77	267
1993	186	107	293
1994	184	101	285
1995	182	114	296
1996	181	108	289
1997	181	113	294
1998	181	113	294
1999	181	118	299
2000	181	110	291
2001	181	111	292

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
1992	0	$ 0
1993	6	31,032
1994	4	13,064
1995	6	117,347
1996	1	3,641
1997	4	38,717
1998	2	29,846
1999	2	55,653
2000	3	97,593
2001	1	12,290

Annuitants by Benefit Range
(Monthly)
on June 30, 2001

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	27	27	11.9	11.9
501-1000	19	46	8.4	20.3
1001-1500	21	67	9.3	29.6
1501-2000	19	86	8.4	38.0
2001-2500	23	109	10.2	48.2
2501-3000	17	126	7.5	55.7
3001-3500	20	146	8.8	64.5
3501-4000	20	166	8.8	73.3
4001-4500	17	183	7.5	80.8
4501-5000	18	201	8.1	88.9
5001-5500	9	210	4.0	92.9
5501-6000	4	214	1.8	94.7
6001-6500	2	216	0.9	95.6
6501-7000	4	220	1.8	97.4
7001-7500	2	222	0.9	98.3
7501-8000	2	224	0.9	99.2
8001-8500	1	225	0.4	99.6
8501-9000	1	226	0.4	100.0

Survivors* by Benefit Range
(Monthly)
on June 30, 2001

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	39	39	31.2	31.2
501-1000	22	61	17.6	48.8
1001-1500	19	80	15.2	64.0
1501-2000	25	105	20.0	84.0
2001-2500	13	118	10.4	94.4
2501-3000	5	123	4.0	98.4
3001-3500	0	123	0.0	98.4
3501-4000	1	124	0.8	99.2
4001-4500	0	124	0.0	99.2
4501-5000	0	124	0.0	99.2
5001-5500	1	125	0.8	100.0

** includes reversionary annuities*

Plan Summary & Legislative Section

SUMMARY OF RETIREMENT SYSTEM PLAN
(As of June 30, 2001)

1. PURPOSE

The purpose of the System is to provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected officials, and their beneficiaries.

2. ADMINISTRATION

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees.

Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

All members of the Illinois General Assembly and any person elected to the office of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller or Attorney General become members of the System unless they file an election not to participate within 24 months of taking office.

Any person who has served 10 or more years as Clerk or Assistant Clerk of the House of Representatives, Secretary or Assistant Secretary of the Senate or any combination thereof, may elect to become a participant.

4. PARTICIPANT CONTRIBUTIONS

Participants are required to contribute a percentage of salary as their share of meeting the various benefits at the rates shown below:

Retirement Annuity	8.5%
Automatic Annual Increase	1.0%
Survivors' Annuity	2.0%
Total	11.5%

A participant who has no eligible survivors' annuity beneficiary may elect to not participate in the survivors' annuity provisions in which case the total participant contribution rate is 9.5% of salary.

5. RETIREMENT ANNUITY

A. Qualification of Participant

Upon termination of service, a participant is eligible for a retirement annuity at age 55 with at least eight years of credit, or at age 62 with at least four years of credit.

B. Amount of Annuity

The retirement annuity is determined according to the following formula based upon the applicable salary:

3.0% for each of the first 4 years of credit;
3.5% for each of the next 2 years of credit;
4.0% for each of the next 2 years of credit;
4.5% for each of the next 4 years of credit;
5.0% for each year of service in excess of 12 years.

The maximum annuity is 85% of final rate of salary after 20 years of credit.

C. Optional Forms of Payment

Reversionary Annuity: A participant may elect to receive a reduced annuity during his or her lifetime in order to provide a spouse, parent, child, brother or sister with a lifetime income. Such payment to a spouse would be in addition to the survivors' annuity benefit. The election should be filed with the System at least 2 years prior to retirement.

D. Annual Increases in Retirement Annuity

Post-retirement increases of 3% of the current amount of annuity are granted to participants effective in January or July of the year following the first anniversary of retirement and in January or July of each year thereafter. However, if the participant has not attained age 60 at that date, the payment of such annual increase shall be deferred until the first of the month following their 60th birthday.

For participants who remain in service after attaining 20 years of creditable service, the 3% annual increases shall begin to accrue on the January 1 following the date when the participant (1) attains age 55, or (2) attains 20 years of creditable service, whichever occurs later. In addition, the annual increases shall continue to accrue while the participant remains in service; however, such increases shall not become payable until (1) the January 1 or the July 1 next following the first anniversary of retirement, or (2) the first of the month following attainment of age 60, whichever occurs later.

E. Suspension of Retirement Annuity

An annuitant who reenters service becomes a participant and resumes contributions to the System as of the date of reentry and retirement annuity payments cease.

If the provisions of the Retirement Systems' Reciprocal Act are elected at retirement, any employment which would result in the suspension of benefits under any of the retirement systems being considered would also cause the annuity payable by the General Assembly Retirement System to be suspended.

6. SURVIVORS' ANNUITY

A. Qualification of Survivor

If death occurs while in service, the participant must have established at least two years of credit. If death occurs after termination of service and prior to receipt of retirement annuity, the participant must have established at least 4 years of credit.

To be eligible for the survivors' annuity, the spouse and participant or annuitant must have been married for at least 1 year immediately preceding the date of death.

An eligible spouse qualifies at age 50 or at any age if there is in the care of the spouse unmarried children who are (1) under age 18 or (2) over age 18 if mentally or physically disabled or (3) under age 22 and a full-time student. Eligible surviving children would be entitled to benefits if no spouse survives.

B. Amount of Payment

If the participant's death occurs while in service, the surviving spouse without eligible children would be eligible to 66-2/3% of earned retirement annuity, subject to a minimum of 10% of salary. A surviving spouse with eligible children would receive the greater of 66-2/3% of the earned retirement annuity or 30% of salary increased by 10% of salary for each minor child, subject to a maximum of 50% of salary to a family, unless survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

If the participant's death occurs after termination of service or retirement, the surviving spouse without eligible children would be eligible to 66-2/3% of earned retirement annuity. The maximum a surviving spouse with eligible children would receive is 75% of the earned retirement annuity unless survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

The minimum survivors' annuity for any qualified survivor shall be $300 per month.

C. Duration of Payment

When all children, except for disabled children, are ineligible because of death, marriage or attainment of age 18 or age 22 in the case of a full-time student, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age.

D. Annual Increases in Survivors' Annuity

Increases of 3% of the current amount of annuity are granted to survivors in each January occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity.

In the event of an active participant's death, increases of 3% of the current amount of annuity are granted to survivors effective in January of the year next following the first anniversary of the commencement of the annuity and in January of each year thereafter.

7. DEATH BENEFITS

The following lump sum death benefits are payable to the named beneficiaries or estate of the participant only if there are no eligible survivors' annuity beneficiaries surviving the deceased participant.

A. Before Retirement
If the participant's death occurs while in service, a refund of total contributions to the System, without interest, in the participant's account.

B. After Retirement
If the participant's death occurs after retirement, a refund of the excess of contributions to the System over annuity payments, if any.

The following lump sum death benefit is payable to the named beneficiaries or estate of the survivor.

A. Death of Survivor Annuitant
Upon death of the survivor annuitant with no further survivors' annuity payable, a refund of excess contributions to the System over total retirement and survivors' annuity payments, if any.

8. DISABILITY BENEFIT

A participant with at least 8 years of service who becomes permanently disabled while in service as a contributing participant is eligible for a retirement annuity regardless of age.

If disability is service-connected, the annuity is subject to reduction by amounts received by a participant under the Workers' Compensation Act and the Workers' Occupational Diseases Act.

9. REFUND OF CONTRIBUTIONS

Upon termination of service, a participant is entitled to a refund of total contributions to the System without interest. By accepting a refund, a participant forfeits all accrued rights and benefits in the System for his or herself and beneficiaries.

A participant who has no eligible survivors is entitled to a full refund of contributions for the survivors' annuity benefit. The refund may be repaid, with required interest, to qualify a spouse for survivors' annuity benefits if the participant marries or remarries after retirement.

LEGISLATIVE AMENDMENTS

Legislative amendments with an effective date during fiscal year 2001 having an impact on the System were:

House Bill 1583 (P.A. 91-0887; effective July 6, 2000)

Allows a surviving spouse to remarry prior to the attainment of age 55 without being disqualified for the receipt of a survivor's annuity provided such remarriage occurs on or after the effective date.

NEW LEGISLATION

There were no legislative amendments with an effective date subsequent to June 30, 2001, having an impact on the System.